



Interim Condensed Consolidated Financial Statements

Intouch Insight Ltd.

for the three and nine months ended September 30, 2019, and 2018

(Unaudited, expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Intouch Insight Ltd. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

A handwritten signature in black ink, appearing to read 'Cameron Watt', with a large, sweeping flourish at the end.

Cameron Watt
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Cathy Smith', with a long horizontal stroke at the end.

Cathy Smith
Chief Financial Officer

Intouch Insight Ltd.
Unaudited Interim Condensed Consolidated Financial Statements
As at September 30, 2019

	<u>PAGE</u>
Unaudited Interim Condensed Consolidated Statements of Earnings and Comprehensive Income	1
Unaudited Interim Condensed Consolidated Statements of Financial Position	2
Unaudited Interim Condensed Consolidated Statements of Changes in Equity	3
Unaudited Interim Condensed Consolidated Statements of Cash Flows	4
Notes to the Unaudited Interim Condensed Consolidated Financial Statements	5-12

Intouch Insight Ltd.

Unaudited Interim Condensed Consolidated Statements of Earnings (loss) and Comprehensive Income Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Revenue	3	\$ 4,908,852	\$ 3,914,961	\$ 14,534,554	\$ 11,344,136
Cost of services		<u>2,406,090</u>	<u>2,008,407</u>	<u>6,975,361</u>	<u>5,520,557</u>
		2,502,762	1,906,554	7,559,193	5,823,579
Expenses					
Selling	4	356,375	751,013	1,405,072	2,276,688
General and administrative	5	1,591,297	1,336,365	4,657,724	4,016,645
Product development	6	<u>407,515</u>	<u>404,133</u>	<u>1,327,656</u>	<u>1,395,437</u>
		<u>2,355,187</u>	<u>2,491,511</u>	<u>7,390,452</u>	<u>7,688,770</u>
Earnings (loss) from operating activities		147,575	(584,957)	168,741	(1,865,191)
Non-operating earnings (expense)					
Finance costs		(11,009)	(5,007)	(53,278)	(8,865)
Net earnings (loss) before income taxes		136,566	(589,964)	115,463	(1,874,056)
Income taxes	16				
Future tax recovery (expense)		-	-	(34,417)	-
Net earnings (loss) and comprehensive income (loss)		<u>\$ 136,566</u>	<u>\$ (589,964)</u>	<u>\$ 81,046</u>	<u>\$ (1,874,056)</u>
Net earnings (loss) per share	7				
Basic		\$ 0.01	\$ (0.03)	\$ 0.00	\$ (0.09)
Diluted		\$ 0.01	\$ (0.03)	\$ 0.00	\$ (0.09)

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements

Intouch Insight Ltd.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at September 30, 2019 and December 31, 2018

(in Canadian Dollars)

Assets	Note	September 30, 2019	December 31, 2018
<i>Current Assets</i>			
Cash and cash equivalents		\$ 138,569	\$ 242,865
Trade and other receivables	8	3,802,376	2,390,542
Prepaid expenses and deposits		120,797	173,326
		<u>4,061,742</u>	<u>2,806,733</u>
Property and equipment	9	1,294,476	856,729
Deferred tax assets		258,957	293,374
Intangible assets	10	698,558	959,085
		<u>\$ 6,313,733</u>	<u>\$ 4,915,921</u>
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Trade and other liabilities		\$ 1,007,620	\$ 619,210
Contract liabilities		434,742	135,712
Current portion of long-term debt	11	28,197	155,084
Current portion of obligations under capital lease	12	234,147	-
		<u>1,704,706</u>	<u>910,006</u>
Obligations under capital lease	12	396,231	-
		<u>2,100,937</u>	<u>910,006</u>
<i>Shareholders' Equity</i>			
Share capital	13	5,503,451	5,403,861
Warrants		-	977,774
Contributed surplus		1,442,496	438,478
Deficit		(2,733,151)	(2,814,198)
		<u>4,212,796</u>	<u>4,005,915</u>
		<u>\$ 6,313,733</u>	<u>\$ 4,915,921</u>

ON BEHALF OF THE BOARD

Original signed by:
Eric Beutel, Director

Original signed by:
Michael Gaffney, Director

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Intouch Insight Ltd.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
	Note					
Balance as at January 1, 2018	21,758,478	\$ 5,233,327	\$ 977,774	\$ 431,420	\$ (12,493)	\$ 6,630,028
Issuance of share capital related to the exercise of share options	263,333	129,277		(51,811)		77,466
Share-based compensation				42,910		42,910
Transactions with owners	22,021,811	\$ 5,362,604	\$ 977,774	\$ 422,519	\$ (12,493)	\$ 6,750,404
Net loss and comprehensive loss for the nine months ended September 30, 2018					(1,874,056)	(1,874,056)
Balance as at September 30, 2018	22,021,811	\$ 5,362,604	\$ 977,774	\$ 422,519	\$ (1,886,549)	\$ 4,876,348
Balance as at January 1, 2019	22,146,811	\$ 5,403,861	\$ 977,774	\$ 438,478	\$ (2,814,198)	\$ 4,005,915
Issuance of share capital related to the exercise of share options	14 310,000	98,690		(51,811)		46,879
Share-based compensation	14			42,910		42,910
Expiry of warrants	15		(977,774)	977,774		
Transactions with owners	22,456,811	\$ 5,502,551	\$ -	\$ 1,407,351	\$ (2,814,198)	\$ 4,095,704
Net income and comprehensive income for the nine months ended September 30, 2019					81,046	81,046
Balance as at September 30, 2019	22,456,811	\$ 5,502,551	\$ -	\$ 1,407,351	\$ (2,733,152)	\$ 4,176,750

The accompanying notes are an integral part of these consolidated financial statements

Intouch Insight Ltd.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

Three and nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
CASH PROVIDED BY (USED IN):					
Operating activities					
Net earnings (loss)		\$ 136,566	\$ (589,964)	\$ 81,046	\$ (1,874,056)
Adjustments to net earnings (loss)					
Amortization of property and equipment	9	147,766	95,473	425,489	279,195
Amortization of intangible assets	10	86,843	105,717	260,528	317,152
Finance costs		11,009	5,009	53,278	8,865
Stock-based compensation expense	14	15,605	15,789	46,734	42,910
Loss (gain) on disposal of property and equipment		(4,734)	(1,928)	(5,708)	(20,839)
Future tax expense		-	207	34,417	(33,893)
Net change in non-cash operating working capital	17	(521,230)	(30,975)	(671,864)	(862,158)
Net cash flows from operating activities		(128,175)	(400,672)	223,920	(2,142,824)
Financing activities					
Increase (decrease) in bank indebtedness		-	-	-	-
Issuance of share capital	13	3,300	1,066	79,100	77,466
Proceeds from issuance of capital leases	12	-	-	814,736	-
Payment of obligations under capital lease	12	(62,939)	-	(184,358)	-
Repayment of long-term debt	11	(42,296)	(104,796)	(126,887)	(324,408)
Finance costs		(11,009)	(5,009)	(53,278)	(8,865)
Cash flows from financing activities		(112,944)	(108,739)	529,313	(255,807)
Investing activities					
Proceeds on disposal of property and equipment	9	7,051	1,927	8,973	26,623
Purchase of property and equipment	9	(13,730)	(5,760)	(866,502)	(174,203)
Cash flows from investing activities		(6,679)	(3,833)	(857,529)	(147,580)
NET CASH INFLOW (OUTFLOW) IN PERIOD		(247,798)	(513,244)	(104,296)	(2,546,211)
CASH, BEGINNING OF PERIOD		386,367	1,393,431	242,865	3,426,398
CASH, END OF PERIOD		\$ 138,569	\$ 880,187	\$ 138,569	\$ 880,187
Additional Information					
Interest received		\$ -	\$ 3,475	\$ -	\$ 17,857
Income tax paid		\$ -	\$ -	\$ -	\$ 19,839

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

1. CORPORATE INFORMATION

Intouch Insight Ltd. ("Intouch" or the "Company") is a publicly listed company and is incorporated under the Canada Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol INX and on the OTC Markets Group ("OTCQB") under the symbol INXSF. The address of Intouch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

Intouch and its subsidiaries offers a complete portfolio of customer experience management (CEM) products and solutions that help global brands delight their customers, strengthen brand reputation and improve financial performance. Intouch helps clients collect and centralize data from multiple customer touch points, and gives them actionable insights to identify, sense and continuously improve customer experience efforts in real-time. Founded in 1992, Intouch is trusted by franchise and multi-location businesses for their customer survey, mystery shopping, mobile forms, operational and compliance audits, and event marketing automation solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance with IFRS

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2018.

This is the first fiscal year in which IFRS 16, Leases, has been applied. Changes to significant accounting policies are described later in this note.

The preparation of the interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires Management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements. The only exception is the estimate used for the income tax provision. This provision is determined using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

(b) Significant accounting policies

Other than IFRS 16, Leases, the same accounting policies are followed in the interim condensed consolidated financial statements as were followed in the most recent annual financial statements.

IFRS 16, Leases

The Company adopted IFRS 16, *Leases* ("IFRS 16") on January 1, 2019. IFRS 16 introduces a single lease accounting model for lessees which requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

The company adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as an \$837,385 increase to right-of-use assets (included in Property and equipment) with a corresponding capital lease obligation of \$814,736 after removing prepaid rent of \$22,649. At September 30, 2019 the current portion of the lease obligation is \$242,063 and the non-current portion is \$388,315. The right-of-use assets recognized were measured at amounts equal to the present value of the lease obligations. The weighted average incremental borrowing rate used to determine the lease obligation at adoption was approximately 4.5%. The right of use assets and lease obligations recognized relate to the Company's office leases in: Ottawa, Ontario, Canada; Laval, Quebec, Canada; and Fort Mill, South Carolina, USA.

The measurement of lease obligations is subject to management's judgment of the applicable incremental borrowing rate.

(c) Critical accounting estimates and judgments

The Company's interim consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the measurement of assets, liabilities, income and expenses. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates, judgments and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Company's last annual audited consolidated financial

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

statements for the year ended December 31, 2018. The only exception is the estimate of the provision for income taxes which is determined in the interim consolidated financial statements using the estimated weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

3. REVENUE

The Company receives revenue from Software as a Service ("SaaS") and related services to its customers in a market referred to as data collection and reporting services.

The Company's strategy is to focus on SaaS and long-term services contracts and as a result tracks its recurring revenue from both software and services. The following chart shows the breakdown of recurring SaaS and recurring and non-recurring services revenue for the third quarter ending September 30, 2019.

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Recurring SaaS revenue	\$ 657,256	\$ 664,344	\$ 1,994,487	\$ 1,842,575
Recurring services revenue	\$ 4,231,595	\$ 3,232,127	\$ 12,428,840	\$ 9,426,307
Non-recurring services revenue	\$ 20,001	\$ 18,490	\$ 111,227	\$ 75,254
Total revenue	\$ 4,908,852	\$ 3,914,961	\$ 14,534,554	\$ 11,344,136

Geographical

The Company reports its revenue by geographical location of its customers. No significant property and equipment are maintained outside of Canada.

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Canada	\$ 1,764,807	\$ 1,611,851	\$ 5,029,516	\$ 4,770,316
US	3,144,045	2,303,110	9,505,038	6,573,820
Total revenue	\$ 4,908,852	\$ 3,914,961	\$ 14,534,554	\$ 11,344,136

Major customers

Revenues from specific clients, each with 10% or more of total Company revenues, are summarized as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Customer 1	\$ 945,142	\$ -	\$ 2,487,648	\$ -
Customer 2	\$ 587,028	\$ 613,203	\$ 1,814,220	\$ 1,737,550
Customer 3	454,538	428,921	1,341,788	1,029,879
Total dollars	\$ 1,986,708	\$ 1,042,124	\$ 5,643,656	\$ 2,767,429

Major trade accounts receivable

Accounts receivable from specific clients, each with 10% or more of total Company receivables, are summarized as follows:

	As at September 30	
	2019	2018
Customer 1	\$ 1,253,800	\$ -
Customer 2	362,502	372,828
Total dollars	\$ 1,616,302	\$ 372,828

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

4. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Marketing expenses	\$ 130,702	\$ 315,469	\$ 582,627	\$ 875,944
Travel expenses	\$ 71,242	\$ 81,883	\$ 232,972	\$ 270,784
Salaries and benefits	\$ 154,431	\$ 353,661	\$ 589,473	\$ 1,129,960
Selling expenses	\$ 356,375	\$ 751,013	\$ 1,405,072	\$ 2,276,688

5. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the Company are broken down as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Corporate administration	\$ 233,868	\$ 300,505	\$ 687,560	\$ 942,925
Consultant fees	\$ 44,184	\$ 31,813	\$ 141,665	\$ 53,879
Professional fees	\$ 65,798	\$ 19,367	\$ 240,160	\$ 153,369
Listing fees	\$ 38,178	\$ 22,919	\$ 109,932	\$ 94,983
Salaries and benefits ⁽¹⁾	\$ 1,047,690	\$ 798,973	\$ 2,853,002	\$ 2,409,633
Loss (gain) on disposal of property and equipment	\$ (4,734)	\$ (1,928)	\$ (5,707)	\$ (20,839)
Loss (gain) on foreign exchange	\$ 1,045	\$ 30,907	\$ 102,124	\$ (17,597)
Bad debt expense (recovery)	\$ (16,998)	\$ -	\$ -	\$ -
Amortization expense	\$ 182,266	\$ 133,809	\$ 528,988	\$ 400,292
General and administrative expenses	\$ 1,591,297	\$ 1,336,365	\$ 4,657,724	\$ 4,016,645

⁽¹⁾ Share-based compensation (a non-cash item) of \$15,605 (Three months ended September 30 2018 - \$15,789) was included in Salaries and benefits.

6. PRODUCT DEVELOPMENT EXPENSES

Product development expenses for the Company are broken down as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Salaries and benefits	\$ 407,515	\$ 530,835	\$ 1,327,656	\$ 1,611,337
Grant received for software application development	\$ -	\$ (126,702)	\$ -	\$ (215,900)
Product development expenses	\$ 407,515	\$ 404,133	\$ 1,327,656	\$ 1,395,437

7. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share for the relevant periods is based on the following information:

	Nine months ended September 30	
	2018	2018
Weighted average number of common shares - basic	22,322,311	21,908,431
Additions to reflect the dilutive effect of employee stock options	1,006,669	-
Note: For year-to-date 2018, the anti-dilutive effect is excluded from the net loss per share computation		
Weighted average number of common shares - diluted	23,328,980	21,908,431

INTOUCH INSIGHT LTD.**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**

Three and nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist primarily of trade receivables from billings of services and SaaS as well as other receivables.

	As at September 30, 2018	As at December 31, 2018
Trade accounts receivable, gross	\$ 3,650,228	\$ 2,340,222
Allowance for doubtful accounts	-	-
Trade accounts receivable, net	\$ 3,650,228	\$ 2,340,222
Unbilled receivables	120,797	50,320
Trade and other receivables	\$ 3,771,025	\$ 2,390,542

Trade receivables past due but not impaired can be shown as follows:

	As at September 30, 2019	As at December 31, 2018
1 - 60 days past due	\$ 1,409,332	\$ 807,248
Greater than 60 days past due	973,040	8,851
	\$ 2,382,372	\$ 816,099

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality.

9. PROPERTY AND EQUIPMENT

The following tables summarize the changes in the carrying amount of property and equipment:

	Computer Equipment	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Right of Use Assets	Total
Cost:						
At December 31, 2017	\$ 158,301	\$ 1,243,398	\$ 210,997	\$ 177,827	\$ -	\$ 1,790,524
Additions	\$ 26,182	\$ 91,303	\$ 39,506	\$ 19,353	\$ -	\$ 176,344
Disposals	\$ (24,808)	\$ (21,229)	\$ -	\$ -	\$ -	\$ (46,037)
At December 31, 2018	\$ 159,675	\$ 1,313,472	\$ 250,503	\$ 197,180	\$ -	\$ 1,920,831
Additions	\$ 23,222	\$ -	\$ 5,894	\$ -	\$ 837,386	\$ 866,502
Disposals	\$ (4,224)	\$ (55,290)	\$ -	\$ -	\$ -	\$ (59,514)
At September 30, 2019	\$ 178,673	\$ 1,258,182	\$ 256,397	\$ 197,180	\$ 837,386	\$ 2,727,819
Accumulated Amortization:						
At December 31, 2017	\$ 60,270	\$ 590,010	\$ 70,886	\$ 25,447	\$ -	\$ 746,613
Amortization	\$ 35,057	\$ 246,074	\$ 24,675	\$ 51,935	\$ -	\$ 357,741
Disposals	\$ (24,808)	\$ (15,444)	\$ -	\$ -	\$ -	\$ (40,252)
At December 31, 2018	\$ 70,519	\$ 820,640	\$ 95,561	\$ 77,382	\$ -	\$ 1,064,102
Amortization	\$ 24,987	\$ 157,029	\$ 19,068	\$ 38,951	\$ 185,453	\$ 425,488
Disposals	\$ (3,942)	\$ (52,306)	\$ -	\$ -	\$ -	\$ (56,248)
At September 30, 2019	\$ 91,564	\$ 925,363	\$ 114,629	\$ 116,333	\$ 185,453	\$ 1,433,342
Carrying amounts:						
At December 31, 2018	\$ 89,156	\$ 492,832	\$ 154,942	\$ 119,798	\$ -	\$ 856,728
At September 30, 2019	\$ 87,109	\$ 332,819	\$ 141,768	\$ 80,847	\$ 651,933	\$ 1,294,476

All of the above assets are pledged as security for debt obligations as identified in Note 12. There were no impairment indicators as at the end of December 2018 and September 2019. Amortization in the three months ended September 30 2019 of \$52,343 (Three months

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

ended September 30 2018 - \$67,381) is included in cost of services (Year to date 2019 – \$157,029 and Year to date 2018 - \$196,055) while an amount of \$95,423 for the three months ended September 30 2018 (Three months ended September 30, 2018 - \$28,092) is included in general and administrative expenses (Year to date 2019 - \$268,460 and Year to date 2018 - \$83,140).

10. INTANGIBLE ASSETS

The following table summarizes the changes in the carrying amount of intangible assets:

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/ Auditor database	Software	Total
At December 31, 2018 and 2017	\$ 173,646	\$ 2,534,226	\$ 179,199	\$ 388,216	\$ 3,275,287
Additions:	\$ -	\$ -	\$ -	\$ -	\$ -
At September 30, 2019	\$ 173,646	\$ 2,534,226	\$ 179,199	\$ 388,216	\$ 3,275,287
Accumulated Amortization:					
At December 31, 2017	\$ 60,083	\$ 1,341,335	\$ 175,075	\$ 334,965	\$ 1,911,458
Amortization	17,364	330,005	4,124	53,251	404,744
At December 31, 2018	\$ 77,447	\$ 1,671,340	\$ 179,199	\$ 388,216	\$ 2,316,202
Amortization	13,023	247,504	-	-	260,528
At September 30, 2019	\$ 90,470	\$ 1,918,844	\$ 179,199	\$ 388,216	\$ 2,576,730
Carrying Amounts:					
At December 31, 2017	\$ 96,199	\$ 862,886	\$ -	\$ -	\$ 959,085
At September 30, 2019	\$ 83,176	\$ 615,382	\$ -	\$ -	\$ 698,558

The above assets are the result of business combinations. Amortization expense is recorded in general and administrative expenses.

11. LONG TERM DEBT

	As at September 30, 2019	As at December 31, 2018
Installment loan, repayable in monthly installments of \$14,099 plus interest at prime plus 1.8%, secured by a general security agreement over underlying assets and maturing on December 30, 2019.	\$ 28,197	\$ 155,084
Current portion of long-term debt	\$ 28,197	\$ 155,084
Total long-term debt	\$ -	\$ -

12. LEASES

The Company has the following future commitments associated with its office lease obligations:

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

	As at September 30, 2019
Less than one year	\$ 257,981
Between one and five years	\$ 336,846
More than five years	\$ 126,318
Total lease payments	\$ 721,145
Amounts representing interest over the term of the lease	\$ 90,767
Present value of net lease payments	\$ 630,378
Current portion of lease obligation	\$ 234,147
Non-current portion of lease obligation	\$ 396,231

13. SHARE CAPITAL

Authorized:

The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

During the nine months ended September 30, 2019, the Company issued common shares as follows:

On February 15, 2019, the Company issued 20,000 common shares through the exercise of stock options for gross proceeds of \$4,800.

On June 4, 2019, the Company issued 5,000 common shares through the exercise of stock options for gross proceeds of \$1,400.

On June 24, 2019, the Company issued 270,000 common shares through the exercise of stock options for gross proceeds of \$69,600.

On September 30, 2019, the Company issued 15,000 common shares through the exercise of stock options for gross proceeds of \$3,300.

14. STOCK OPTION PLAN

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire ten years from the date of the grant. The Board of Directors has the right to modify vesting periods and expiry dates at the time of option grant.

There were 10,000 options issued in the three months ended September 30, 2019 (Year to date 2019 – 560,000) compared to nil in the three months ended September 30, 2018 (Year to date 2018 - 690,000). There were 15,000 options exercised in the three months ended September 30, 2019 compared to 3,333 in the three months ended September 30, 2018 (Year to date 2019 – 310,000 and Year to date 2018 – 263,333). The employee compensation expense related to options vested in the three months ended September 30, 2019 is \$15,605 (Year to date 2019 - \$46,734) and was \$15,789 in the three months ended September 30, 2018 (Year to date 2018 - \$42,910). The Company may issue up to 2,565,438 (the three months ended September 30, 2018 – 3,000,438) options for common shares under its stock option plan. At September 30, 2019, 455,438 common shares (835,438 at September 30, 2018) are reserved for additional options under this plan.

A summary of the status of the Company's issued and outstanding stock options as of September 30, 2019, and December 31, 2018, and changes during the nine months is presented below:

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

	September 30, 2019		December 31, 2018	
	<u>Number of Options</u>	<u>Weighted average exercise price</u>	<u>Number of Options</u>	<u>Weighted average exercise price</u>
Outstanding, beginning of year	2,100,000	\$ 0.40	1,860,000	\$ 0.32
Granted	560,000	\$ 0.38	830,000	\$ 0.52
Exercised	(310,000)	\$ 0.26	(388,333)	\$ 0.29
Forfeited	(240,000)	\$ 0.45	(201,667)	\$ 0.44
Outstanding, September 30, 2019 and December 31, 2018	2,110,000	\$ 0.41	2,100,000	\$ 0.40

The following table summarizes information about stock options as at September 30, 2019:

<u>Options Outstanding</u>			<u>Options Exercisable</u>
<u>Exercise prices</u>	<u>Number outstanding at September 30, 2019</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at September 30, 2019</u>
\$0.22	55,000	0.17	55,000
\$0.24	285,000	0.66	285,000
\$0.28	150,000	0.95	150,000
\$0.31	5,000	4.63	0
\$0.32	20,000	1.50	20,000
\$0.34	5,000	4.50	0
\$0.35	15,000	4.73	0
\$0.38	425,000	2.57	45,000
\$0.39	10,000	4.92	0
\$0.40	195,000	3.80	36,665
\$0.42	110,000	4.08	0
\$0.46	100,000	0.08	100,000
\$0.47	100,000	3.00	66,665
\$0.48	350,000	1.96	120,000
\$0.61	260,000	2.77	120,004
\$0.70	25,000	3.17	8,335
<u>\$0.22 to \$0.70</u>	<u>2,110,000</u>	<u>2.19</u>	<u>1,006,669</u>

The following table summarizes information about stock options as at December 31, 2018:

<u>Options Outstanding</u>			<u>Options Exercisable</u>
<u>Exercise prices</u>	<u>Number outstanding at Dec 31, 2018</u>	<u>Weighted average remaining contractual life (years)</u>	<u>Number exercisable at Dec 31, 2018</u>
\$0.22	170,000	0.94	170,000
\$0.24	305,000	1.42	305,000
\$0.28	325,000	1.13	325,000
\$0.32	35,000	2.50	23,334
\$0.38	55,000	2.25	36,665
\$0.40	165,000	3.00	66,663
\$0.42	135,000	4.83	0
\$0.46	100,000	0.83	100,000
\$0.47	130,000	3.75	43,336
\$0.48	350,000	3.50	3,334
\$0.61	280,000	2.50	50,000
\$0.70	50,000	3.92	16,670
<u>\$ 0.22 to \$ 0.70</u>	<u>2,100,000</u>	<u>2.55</u>	<u>1,140,002</u>

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements Three and nine months ended September 30, 2019 and 2018 (in Canadian Dollars)

Stock-based Compensation

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for the three months ended March 31, 2019 were: a weighted average share price of \$0.40 and an exercise price of \$0.40, risk free interest rate of 1.50% to 2.20%, volatility of 44% to 50% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. For the three months ended June 30, 2019 the assumptions were: a weighted average share price of \$0.38 and an exercise price of \$0.38, risk free interest rate of 1.55% and 2.20%, volatility of 45% to 50% with no expected dividend yield, 2% assumed forfeiture and a thirty-seven (37) month estimated life. For the three months ended September 30, 2019 the assumptions were: a weighted average share price of \$0.39 and an exercise price of \$0.39, risk free interest rate of 1.80% and 2.00%, volatility of 33% to 43% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. The assumptions using the Black-Scholes option pricing model for the three months ended March 31, 2018 were: a weighted average share price of \$0.61 and an exercise price of \$0.61, risk free interest rate of 1.35% and 1.60%, volatility of 41% to 44% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life. For the three months ended June 30, 2018, the assumptions were: a weighted average share price of \$0.48 and an exercise price of \$0.48, risk free interest rate of between 1.10% and 1.60%, volatility of 36% to 50% with no expected dividend yield, 40% assumed forfeiture and a five-year estimated life and a thirty-seven (37) month estimated life. There were no options issued in the three months ended September 30, 2018.

Unamortized option expense was \$71,272 as at September 30, 2019 (the three months ended September 30, 2018 - \$78,174).

15. WARRANTS

On May 28, 2019 all warrants which were issued in connection with the private placements of November 2017 expired. Details regarding the expired warrants are summarized as follows:

	Number of whole share warrants	Weighted average exercise price	Expiry date
Issued pursuant to private placement November 28, 2017	3,500,000	\$ 0.70	May 28, 2019
Issued pursuant to private placement November 28, 2017	450,000	\$ 0.50	May 28, 2019
Issued pursuant to private placement November 28, 2017	71,250	\$ 0.52	May 28, 2019
Balance December 31, 2018	4,021,250	\$ 0.67	
Balance September 30, 2019	-	-	

At the time of issuance, the warrants were fair valued at \$977,774. The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The assumptions using the model were: a weighted average share price of \$0.85 and an exercise price of \$0.70, risk free interest rate of 1.04%, volatility of 43.99% with no expected dividend yield, and an eighteen-month estimated life. The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the warrant.

16. INCOME TAXES

Income tax expense is recognized at each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year should the estimate of the annual income tax rate change. No future income taxes were recorded in the three months ended September 30, 2019 (Year to date 2019 \$34,417) no future income taxes were recorded in the first nine months of 2018.

17. CASH FLOW INFORMATION

Net change in non-cash working capital items is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Trade and other receivables	\$ (551,651)	\$ 52,287	\$ 638,705	\$ (1,411,833)
Prepaid expenses and deposits	(68,243)	(50,006)	(33,386)	52,529
Trade and other liabilities	214,071	81,281	(13,465)	388,410
Contract liabilities	(115,407)	(114,537)	270,304	299,030
Net change in non-cash working capital	\$ (521,230)	\$ (30,975)	\$ 862,158	\$ (671,864)

INTOUCH INSIGHT LTD.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2019 and 2018

(in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2019, the Company expensed \$18,750 (Year to date 2019 - \$76,250) as compensation to non-management directors within general and administrative expenses in the statement of operations. The expense for the three months ended September 30, 2018 was \$28,750, and Year to date 2018 was \$86,250.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

19. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements of Intouch Insight Ltd. for the three and nine months ended September 30, 2019 were approved and authorized for issue by the Audit Committee on November 21, 2019.